

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7181
BILL NUMBER: HB 1563

NOTE PREPARED: Feb 26, 2007
BILL AMENDED:

SUBJECT: Disability Benefits.

FIRST AUTHOR: Rep. Crawford
FIRST SPONSOR:

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the minimum monthly disability retirement benefit paid to certain members of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF) from \$100 to \$180. It provides that a distribution of a thirteenth check by PERF or TRF must include distribution to members eligible for disability benefits.

Effective Date: January 1, 2007 (retroactive).

Explanation of State Expenditures: There are an estimated 125 former PERF members receiving disability benefits at the current monthly \$100 amount that would be affected by this proposal.

Public Employees' Retirement Fund			
	State	Municipalities	Total
Increase in Unfunded Accrued Liability	\$235,100	\$155,100	\$390,200
Increase in Annual Cost	\$99,500	\$283,400	\$382,900
Increase in Annual Cost as % of Payroll	0.006%	0.011%	0.009%

There would be no change in funded status, remaining at 97.6%. The funds affected are the state General Fund (55%), or \$54,725, and various dedicated funds (45%), or \$44,775. The percentage split represents the

amounts each fund contributes to personal services in the state budget.

Teachers' Retirement Fund					
	Increase in PVB*	FY 2007	FY 2008	FY 2009	FY 2010
Pre-1996 Fund	\$47,416	\$2,159	\$4,521	\$4,629	\$4,674
1996 Fund	\$37,705	\$1,681	\$3,815	\$4,309	\$4,834
Total	\$85,121	\$3,840	\$8,336	\$8,938	\$9,508
*Present Value of Future Benefits.					

The COLA adjustments effective January 1, 2007, pursuant to IC 5-10.2-5-41, were taken into account prior to estimating the fiscal impact of the proposed increase to the minimum alternative disability benefit.

The fund affected is the state General Fund for the Pre-1996 Fund. The 1996 Fund is actuarially funded by a level percent of payroll, currently 7%. That percent is unlikely to change because of the provisions of this bill.

Explanation of State Revenues:

Explanation of Local Expenditures: See table in *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Indiana State Teachers' Retirement Fund.

Local Agencies Affected: School Corporations; Municipalities.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508; Ken Alberts of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.

Fiscal Analyst: James Sperlik, 317-232-9866.

Definitions -

Present Value - The present value (sometimes called actuarial present value) of an amount or series of amounts payable or receivable in the future is their current worth after discounting each such amount at an assumed rate of interest and adjusting for the probability of its payment or receipt.

Unfunded actuarial liability - Sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.